Washington State Health Care Authority

DESIGN TEAM MEETING SUMMARY

K-12 HEALTH BENEFITS PROJECT
THURSDAY, NOVEMBER 10, 2011
HCA – EXECUTIVE CONFERENCE ROOM ON THE 4TH FLOOR
9:00 AM – 1:00 PM

Purpose: The purpose of this meeting was for the HCA K-12 Project Design Team to review and discuss the November 9th Advisory Team Meeting and make a number of decisions about the K-12 Health Benefits Report's policies and modeling assumptions.

Participants included Design Team and Project Support Team

- ✓ Tim Barclay
- ✓ Michael Pickett
- ✓ Michael Arnis
- ✓ Andrew Cherullo
- Jim Stevenson
- ✓ Mary Fliss
- ✓ Annette Meyer
- ✓ John Williams
- Rich Campbell
- Linda Blankenship
- ✓ Jason Siems
- ✓ Peter Summerville

Meeting Summary:
A number of wide-ranging topics and questions were raised and discussed, including:

Administrative costs of current offerings and whether this information can be accurately determined. Preliminary information suggests that broker fees for larger accounts might be in the 2-4% of premiums range, there was discussion that for smaller accounts it might be in the 5-10% range. The information is not readily available from the data collected by Milliman. Additional work will be done to confirm the information being provided by various sources.

During the November 9th Advisory Team meeting, a point was raised about customer service under a state consolidated plan. Who will handle this under a consolidated plan? While insurers take on some of the responsibility for this in the private market, it was pointed out that brokers and unions work with their subscribers/members as advocates should it be needed. Members of the Advisory Team raised this as a concern.

Key takeaways from the Advisory Team meeting included:

- Please stay away from tying health benefits to the $768 state allocation. It was suggested that HCA provide projected costs of the program based on experience data and market conditions as is currently done in PEBB and provide that information to the Office of Financial Management for consideration as the state allocation is set.

- Should the HCA take on the drafting of statutory language? One approach may be to develop language that resembles a new section to RCW 41.05 specifically for a K-12 employees benefits purchasing system to take advantage of opportunities to reference other sections of 41.05 that are applicable.

- The funding sources for the K-12 employees' health benefits should be three-fold: 1) State, 2) School districts and 3) employees.

- It appears current law prescribes that school districts determine the scope of basic benefits offered to employees through collective bargaining; this could continue under a consolidated program. The consolidated design will be based on a K-12 offering that includes 1) Health benefits for medical/RX, 2) Dental and 3) Vision. At a later date Life and Long Term Disability insurance can be added to the consolidated system portfolio.

- There was much discussion about the average employee contribution and taking into consideration something similar to the private sector's common-sense perspective/approach that an employee is more valuable than an employee's dependent. It was determined that the single employee contribution level should be competitive to the private and public sectors – a range between 10-25%. It was also determined that contributions for employees' dependents should range from 25-50%. Milliman will model cost projections to attempt to reach at least cost-neutrality under these assumptions.

- Establishing an acceptable range of employee premium cost-sharing could then enable some flexibility for districts and bargaining units to negotiate additional employer contributions to premiums within the defined acceptable range.

- In terms of pre- and post-Medicare retired employees, several critical aspects still need to be analyzed to adequately assess the implications for both the PEBB purchasing system and a new K-12 purchasing system. It was agreed that HCA staff would continue to research this issue before making a recommendation. Mary Fliss said she would be pleased to address the status of this item for the Report.

- In terms of the minimum threshold for eligibility, it was decided that .5 FTE is consistent with PEBB and the Washington Department of Retirement Services. Grandfathering of existing employees that are under the .5 FTE threshold should be allowed with such a grandfathering provision sun setting in 3 to 5 years. A contingency was discussed that school districts – on an individual basis – may opt to pay for those under the .5 FTE threshold. This contingency was a topic that needed more thought – especially as it relates to the implementation and operations of a prospective consolidated system.

- Cost modeling of a consolidated system benchmark medical plan will be comparable to the WEA-Premera 2 Plan offered to K-12 employees. In terms of relative value, the PEBB UMP plan has a relative value of 1.0 in comparison to a WEA-Premera Plan 2 value of 1.035.
- In terms of criteria for opting out, it was suggested that the K-12 Report do something similar to the Oregon Educators Benefits Board that allows opting out for districts that are plus-or-minus 2.5% in terms of comparable benefits at "a reasonably equitable price."

- Much discussion was centered on the prospective recommendations for a Governing Board. While the Design Team's discussions were fruitful it was also pointed out that the HCA's executive team, OFM, the Governor may provide specific direction on whether a board will be formed and if so, how to structure the governing body in the proposal. Essentially, the discussion must take into consideration the balance (or lack of balance) of roles and responsibilities of HCA, employing agencies, and a board, the balance of representation among a governing board membership, as well as the timing of the initial implementation. As way of example, if the Legislature directs the implementation of a consolidated plan for the 2013 or 2014 school year, there are a number of significant preliminary decisions that would need to be made without the advantage of having a Board named, approved and in place. Consequently, a period of transition and executive decision-making would be spelled out in the consolidated benefits program's implementation and operations plans.

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